



Enron Corp.
P.O. Box 1188
Houston, TX 77251-1188
(713) 853-6161

March 13, 2000

Arthur Andersen LLP
711 Louisiana, Suite 1300
Houston, TX 77002

Gentlemen:

We are providing this letter in connection with 1) your audit of the consolidated balance sheet of Enron Corp. and subsidiaries ("Enron") as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 1999, for the purpose of expressing an opinion as to whether the consolidated financial statements (referred to hereinafter as "financial statements") present fairly in all material respects the financial position, results of operations, cash flows and changes in shareholders' equity of Enron in conformity with generally accepted accounting principles, and 2) your examination of management's assertions that the system of internal control of Enron for the year ended December 31, 1999, was adequate to provide reasonable assurance as to the reliability of the financial statements and the protection of assets from unauthorized acquisition, use or disposition, we confirm to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit and examination:

1. We are responsible for the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. We are responsible for establishing and maintaining Enron's system of internal control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
3. We have performed an evaluation of the effectiveness of Enron's system of internal control at December 31, 1999 with respect to the preparation of reliable financial statements and the protection of assets from unauthorized acquisition, use or disposition, based upon current standards of control criteria.
4. We believe that Enron's system of internal control was adequate at December 31, 1999 to provide reasonable assurance as to the reliability of financial statements and the protection of assets against unauthorized use or disposition.
5. There are no significant deficiencies in the design or operation of Enron's internal control system which could adversely affect Enron's ability to record, process, summarize and report financial data and protect assets from unauthorized acquisition, use or disposition.

Endless possibilities.™

EC 000040725

**GOVERNMENT
EXHIBIT**
5001
Crim No. H-04-0025

6. Subsequent to December 31, 1999, there have not been any changes in Enron's system of internal control or other factors that might significantly affect the system of internal control over reliable financial statements and safeguarding of assets, including any corrective action taken by us with regard to material weaknesses.
7. We have made available to you all financial records and related data.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except as disclosed in the footnotes to the financial statements.
9. The accounting records underlying the financial statements accurately and fairly reflect, in reasonable detail, the transactions of Enron.
10. No events have occurred subsequent to December 31, 1999, and through the date of this letter, that would require adjustment to, or disclosure in, the financial statements other than those already disclosed.
11. We have read Enron's financial statements included in the December 31, 1999 Annual Report and Form 10-K, and hereby reaffirm all statements and representations made therein.
12. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees (both oral and written), and amounts receivable from or payable to related parties.
 - b. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions or other requirements.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines-of-credit or similar arrangements.
 - d. Deferred income taxes based upon tax planning strategies which Enron currently expects to utilize.
 - e. Agreements to repurchase assets previously sold.
 - f. All financial instruments, including those with off-balance-sheet risk (such as swaps, forwards and futures), as required under generally accepted accounting principles pursuant to Statement of Financial Accounting Standards (SFAS) No. 105, Disclosure of Information about Financial Instruments with Concentrations of Credit Risk, SFAS No. 107, Disclosures about Fair Value of Financial Instruments, and SFAS No. 119, Disclosures about Derivative Financial Instruments and Fair Value of Financial Instruments.

EC 000040726

- g. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, Disclosure of Certain Significant Risks and Uncertainties. (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)
 - h. Guarantees, whether written or oral, under which Enron is contingently liable.
 - i. Provision for any material loss to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.
 - j. Provision for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
 - k. Unaudited quarterly financial data that fairly summarizes the operating revenues, income before interest, minority interests, and income taxes, net income and per share data based upon that income for each quarter within the year ended December 31, 1999. This information has been prepared and presented in conformity with generally accepted accounting principles applicable to interim financial information and with Item 302 (a) of Regulation S-K. The accounting principles used to prepare that information are consistent with those used to prepare the audited financial statements.
 - l. You have brought to our attention misstatements which remain uncorrected at December 31, 1999 and which, if corrected, would decrease net income for the year ended December 31, 1999 by \$21 million. The effects of those misstatements are not material, both individually and in the aggregate, to the financial statements taken as a whole.
13. There has been no:
- a. Material fraud or any other irregularities that, although not material, involved management or other employees who had a significant role in Enron's system of internal control.
 - b. Fraud involving other employees that could have a material effect on the financial statements.
 - c. Communications from regulatory agencies or lenders concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
14. Other than specific items enumerated otherwise herein or disclosed in the financial statements, there are no:

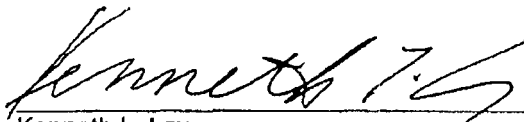
EC 000040727

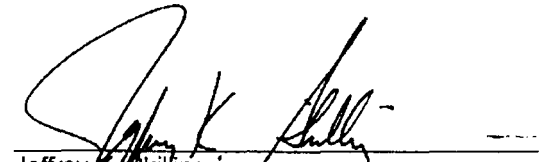
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other material liabilities or gain or loss contingencies (including those that might exist relating to oral guarantees) that are required to be accrued or disclosed by SFAS No. 5.
 - c. Unasserted claims or assessments that our legal counsel has advised us are probable of assertion and must be disclosed in accordance with SFAS No. 5.
15. Other than specific items enumerated otherwise herein or disclosed in the financial statements, Enron has:
- a. Complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
 - b. Satisfactory title to all owned assets and there are no material liens or encumbrances on such assets nor has any material asset been pledged as collateral.
 - c. Both the ability and the intent to refinance all short term debt on a long-term basis, including short-term debt of subsidiaries.
16. The impact of the SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" will not be material on Enron's accounting for price risk management activities but the effect on its hedging activities or physical based contracts has not yet been quantified.
17. We believe that all material expenditures that have been deferred to future periods will be recoverable.
18. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
19. The equity method is used to account for Enron's investments in the common stock of Dabohol Power Company because Enron has the intent to sell down to a non-controlling interest within one year from the date of acquisition.
20. We agree with the findings of specialists in evaluating the estimates of proved reserves, valuation of stock option grants, pension benefits and other post retirement benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.


EC 000040728


21. The impact, if any, of Enron's Year 2000 issue on the determination of financial statement amounts has been properly assessed and accounted for (including any related disclosure) in the financial statements.

Very truly yours,


Kenneth L. Lay
Chairman and Chief Executive Officer


Jeffrey K. Skilling
President and Chief Operating Officer

 RRR
James V. Derrick
Executive Vice President and General Counsel


Richard A. Causey
Executive Vice President and Chief Accounting Officer
